THE MIDDLE INCOME HOUSING PROBLEM IN NEWARK NEW JERSEY

STAFF REPORT — CENTRAL PLANNING BOARD

NEWARK, N.J.
JUNE, 1962

THE MIDDLE INCOME HOUSING PROBLEM IN NEWARK, NEW JERSEY

A STUDY AND FRAMEWORK
FOR AN EFFECTIVE PROGRAM

STAFF STUDY AND REPORT - CENTRAL PLANNING BOARD

JUNE 1962

CONTENTS

TABLES

Foreword

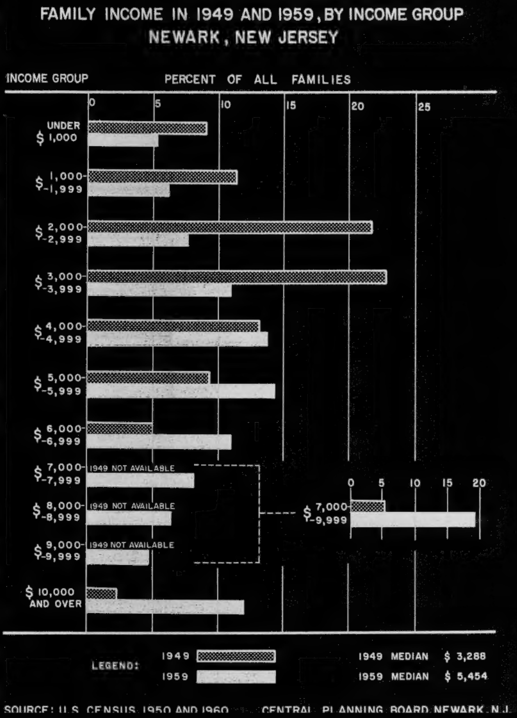
As the years go by and the costs of construction keep increasing, more and more cities begin to realize that the process of city rebuilding becomes slower and less feasible because of the high rents that new construction must command.

In 1949, when the National Housing Act was first adopted, land costs represented a much more significant portion of total redevelopment costs than they do today. For this reason the Act's provisions, under Title I, sought to reduce redevelopment costs by reducing the developers' land costs. In the ensuing years, however, construction and financing costs have increased at such a rate as to overshadow the importance of land cost.

One of the major problems confronting cities today is that of providing new housing for a growing middle income group.* The tables in the following pages amply demonstrate that it is impossible for private industry to provide middle income housing, as described below, without some form of financial assistance.

---

* Assuming, for the purposes of this study, that the middle income range in 1950 was between $4,000 and $8,000, and that in 1960 the range was between $5,000 and $9,000, middle income families in Newark have grown from approximately 25% of all families in 1950 to approximately 40% in 1960.


FAMILY INCOME IN 1949 AND 1959, BY INCOME GROUP
NEWARK, NEW JERSEY
INCOME GROUP
PERCENT OF ALL FAMILIES
0
5
10
15
20
25
UNDER $ 1,000
$ 1,000-1,999
$ 2,000-2,999
$ 3,000-3,999
$ 4,000-4,999
$ 5,000-5,999
$ 6,000-6,999
$ 7,000-7,999
1949 NOT AVAILABLE
$ 8,000-8,999
1949 NOT AVAILABLE
$ 9,000-9,999
1949 NOT AVAILABLE
$ 10,000 AND OVER
$ 7,000-9,999
LEGEND:
1949
1959
1949 MEDIAN $ 3,288
1959 MEDIAN $ 5,454
SOURCE: U.S. CENSUS 1950 AND 1960
CENTRAL PLANNING BOARD NEWARK, N.J.

The following study is presented to show how changes in a) total development cost, b) terms of financing, and c) local taxes affect the monthly rents or charges of various types of apartments. The study is also intended for discussion purposes, and as a guide to evaluate the extent of public intervention and assistance needed to achieve a middle income housing program in the City of Newark.

Definition of Terms

The middle income family is generally defined as one with an annual income ranging between $4,000 and $8,000 depending on the number of persons in the family, i.e., an excessive income for public housing occupancy but insufficient to meet the rents charged in new, unassisted residential construction. By the same standards, middle income housing should have monthly rents ranging between $20 and $30 per rental room.

Development cost is defined as construction cost, exclusive of land, plus all other related charges to date of completion, such as carrying charges, architectural and engineering fees. For the purposes of this study it has been assumed that $3,100 is the minimum development cost per rental room.

This assumption is based on the average construction costs of recently built multi-family, multi-story residential structures in Newark.

Total development cost is used here as the sum of development cost plus land cost. It has been assumed that the minimum land cost per rental room is $200, so that the minimum total development cost is $3,300. The tables in the following pages give a range of total development cost so that by increasing the land cost portion of the total figure it is possible to measure the impact on rents of reduction in density, and by increasing the development cost portion of the total figure it is possible to measure the effect on rents of higher quality construction standards, with density held constant. In addition, the effects of financing terms and real estate taxes on monthly rents or charges can be determined by comparing the figures given in successive tables for units having the same total development costs per rental room.

Table I

Conventional Financing
Capital Charge - 10%

Required Monthly Rent per Rental Room

Conventionally Financed Apartments At

Various Combinations of Total Development Costs

Cost Factors	Total Development Cost per Rental Room $3,300	$3,500	$3,700	$3,900
Capital charge	$330.00	$350.00		
Operating cost	120.00	120.00	monthly rent increases by $1.32 per each $100 of additional total development cost.	
Real estate taxes	165.00	175.00		
Vacancy allowance	32.35	33.93		
Total Annual Cost	647.35	678.93		
Monthly Rent	53.95	56.58	59.21	61.84

Explanation

Return on capital is estimated at 10% of total development cost.

Operating cost is estimated at $120 per rental room per year based on average new rental development.

Vacancy allowance equals 5% of gross rent.

Taxes are estimated at 10% of an assessed value equal to 50% of total development cost, based on current tax rate and assessment policy in the City of Newark.

Table 2

Conventional Financing
Capital Charge - 7.25%

Required Monthly Rent Per Rental Room

Conventionally Financed Apartments At

Various Combinations of Total Development Costs

Cost Factors	Total Development Cost per Rental Room			
	$3,300	$3,500	$3,700	$3,900
Capital charge	$239.25	$253.75	monthly rent increases by $1.07 per each $100 of additional total development cost.	
Operating cost	120.00	120.00		
Real estate taxes	165.00	175.00		
Vacancy allowance	27.58	28.86		
Total Annual Cost	551.82	577.71		
Monthly Rent	45.98	48.13	50.28	52.43

Explanation

Return on capital is estimated at 7.25% of total development cost.

Operating cost is estimated at $120 per rental room per year based on average new rental development.

Vacancy allowance equals 5% of gross rent.

Taxes are estimated at 10% of an assessed value equal to 50% of total development cost, based on current tax rate and assessment policy in the City of Newark.

Incentives For Middle Income Housing Construction

As it has been noted in the Demonstration Grant Project recently published by the Central Planning Board, the only existing workable incentives to the construction of middle income housing are: 1) the Limited Dividend Housing Corporation Law of 1949, and 2) the Urban Renewal Corporation Law of 1961, widely known as the Fox-Lance Law. Both laws provide for substantial tax abatement and limit the developer's return.

In the eleven years between 1949 and 1960 a total of 320* units have been built in the entire State under the provisions of the Limited Dividend Law, a very small addition to the housing stock. In order to make investment possibilities more attractive, the State Legislature in 1960 amended the provisions of the Limited Dividend Law to increase the dividend limit from 6 to 8 per cent of the equity invested and changed the tax abatement formula to increase taxes from 10 to 15 per cent of gross shelter rent. An additional 280** units are now being built under this law, but there is no sign that the law is providing effective incentives to stimulate large scale construction of middle income housing.

---

* College Towers in Jersey City.

** In Asbury Park.

One of the problems to be considered in utilizing the provisions of either of these two laws is that when minimum rent is above $35 per room per month, renters expect something more than low cost construction. As it happens with many products, when the price isn't cheap enough the marketability of the product can be improved by raising slightly both the quality and price of the product.

Limited Dividend Law

The Limited Dividend Housing Corporations Law of 1949 was enacted to promote construction of low rent housing. Theoretically, construction is to aid in the redevelopment of blighted areas, but there is a question as to whether the law restricts construction to blighted areas only.

As amended in 1960, the law provides tax abatement under a formula which requires payments in-lieu of taxes amounting to 15 per cent of gross shelter rent for a period limited to 50 years.

The law sets no limit on the developer's profit but, rather, it limits dividends payable by the corporation to 8 per cent of actual cash and property contributed by the developer. It has been estimated that to pay 8 per cent dividend, corporations would have to earn at least 11.7 per cent profit before Federal taxes.

It is quite impossible to provide rentals of $20 to $30 per room per month under this formula. The only ad-

vantage this law has is that of making luxury housing marketable to a larger group of families, but the provisions of the law cannot be expected to benefit the middle or lower middle income segments of the community.

Fox-Lance Law

This law also provides for an exemption from property taxes on all improvements. In lieu of taxes, the developer will pay an amount which, together with taxes on the land, equals 15 per cent of gross rental income, provided that the formula will yield taxes which are higher than those received by the City prior to redevelopment.

Tax abatement, under this law, is limited to a period of 20 years. The law further provides that the developer's profit shall be limited to 1.25 per cent above the interest rate on the mortgage, applied to the total development cost.

The purpose of the law is to promote redevelopment of industrial, commercial, and residential areas which have been designated as blighted by the municipality. The local governing body must review and approve developers' applications before the development can receive the benefits provided by law.

The chief draw-back of this legislation is that, although it provides substantial tax abatement, it does not make possible residential developments with rents within the

Table 3

Fox-Lance Program
Capital Charge - 7.25%

Required Monthly Rent Per Rental Room

Fox-Lance Program

At Various Combinations of Total Development Costs

Cost Factors	Total Development Cost per Rental Room			
	$3,300	$3,500	$3,700	$3,900
Capital charge	$239.25	$253.75		
Operating cost	120.00	120.00	monthly rent increases by $0.73 per each $100 of additional total development cost.	
Vacancy allowance	13.15	13.68		
In-lieu of taxes	65.73	68.38		
Total annual cost	438.13	455.81		
Monthly Rent	36.51	37.98	39.45	40.92

Explanation

Capital charge is estimated at 7.25% of total development cost, based on profit limitation of 1.25% above mortgage rate.

Operating cost is estimated at $120 per rental room per year based on average new rental development.

Vacancy allowance equals 3% of gross rent.

Payment in-lieu of taxes equals 15% of annual gross rent.

desired $20 to $30 range. As Table 3 illustrates, minimum rents under Fox-Lance provisions are approximately $37 per room per month. Therefore, aside from its intentions, the effect of this law, as in the case of the Limited Dividend Law, is to make luxury housing cheaper without helping to fulfill the middle income housing need.

The factors militating against the success of the Limited Dividend and Fox-Lance Laws are: 1) tax abatement alone is insufficient to provide rentals ranging between $20 and $30 per room per month; 2) profit or dividend limits are insufficient to attract developers when they must invest equity ranging between 20 and 30 per cent of total development cost. Yet, if profits are increased the $20 to $30 rental per room per month becomes even more impossible to achieve. The entire problem of the developer's return is closely tied with the amount of investment he has to make in the development. It is widely acknowledged that if developers' investment ranges between 20 and 30 per cent of total development cost, developers expect a higher return than that provided under the Limited Dividend and Fox-Lance Laws. However, if the developers' investment can be reduced to a maximum of only 10 per cent of total development cost, the return on the investment acquires a secondary importance because a) a lesser financial involvement in each development allows developers to expand their operations with the capital normally required by a single development,

and consequentially, b) the profit derived from the development business itself becomes the primary source of profit instead of the return on the financial investment.

As has been amply demonstrated in New York State and New York City, with the highly successful Mitchell-Lama programs, the solution to the problem is to be found only when all of the following factors are present: 1) developer's equity investment, or co-operators' down-payments in the case of co-operatives, are kept to a maximum of 10 per cent; 2) 90 per cent, long-term mortgage financing provided by a public agency at mortgage rates well below going market rates; and 3) sufficient tax abatement is provided to reduce rents to the desired level providing, at the same time, a fair ratable to the municipality.

F.H.A. Sec. 221 (d) (3) Loans

Recognizing, at last, the necessity of low interest mortgages and limited equity investment, the 1961 National Housing Act under Sec. 221 (d) (3) provides incentives for a middle income housing program by making available, through F.H.A., direct loans at approximately 3.5% covering 90 per cent of total development costs for a period ranging between 30 and 40 years. The law establishes a maximum development cost of $3,750 per rental room to prevent luxury housing from being eligible for the loans.

As Table 4 demonstrates, the effect of this legislation is to reduce rents to the same level achieved under the provisions of the Fox-Lance Law, with the advantage that the municipality would receive full taxes. However, as will be seen later, the provisions of this law when combined with some form of tax abatement will make possible the construction of true middle income housing at rentals of $20 to $30 per room per month.

Table 4

F.H.A. Sec.221 (d) (3)
Middle Income Housing
Debt Service - 4.26%

Required Monthly Rent per Rental Room
F.H.A. Sec. 221 (d) (3) Middle Income Housing
At Various Combinations of Total Development Costs

Cost Factors	Total Development Cost per Rental Room $3,300	$3,500	$3,700	$3,900
Equity return	$ 19.80	$ 21.00	monthly rent increases by $0.73 per each $100 of additional total development cost.	
Debt service	126.52	134.19		
Operating cost	120.00	120.00		
Real Estate taxes	165.00	175.00		
Vacancy allowance	13.37	13.96		
Total annual cost	446.69	464.15		
Monthly Rent	37.22	38.68	40.14	41.60

Explanation

Return on developer's equity is assumed to be 6 per cent. Debt service of 4.26 per cent is based on 90 per cent, 40 year, 3.5 per cent mortgage.

Operating cost is estimated at $120 per rental room per year based on average new rental development.

Taxes are estimated at 10% of an assessed value equal to 50% of total development cost, based on current tax rate and assessment policy in the City of Newark.

Vacancy allowance equals 3% of gross rent.

New York's Mitchell-Lama Programs

Without a doubt, the most successful middle income housing programs in the country are New York State and New York City Mitchell-Lama programs. Enacted in 1955, the Limited-Profit Housing Companies Act, widely known as the Mitchell-Lama Law, enables a state agency and the City of New York to issue low-interest bonds the proceeds of which are to be loaned to developers of middle income housing. The bonds have proven to be highly marketable because of their tax exempt feature. New York City alone has already exhausted the $100,000,000 of the original bond issue and has recently been enabled by the State to borrow, through a bond issue, an additional $100,000,000. The City thus far has financed the construction of 1,900 middle income units under its Mitchell-Lama program, and all of them are co-operatives. New York City is providing the financing for an additional 12,041 units of which 11,145 will be co-operatives. New York State has already financed or is committed to finance 19,750 middle income apartments, a large portion of which are and will be in New York City.

The characteristics of New York City's Mitchell-Lama program are these: 1) The City issues bonds which carry an interest of 3 per cent, to which the city adds 0.5 per

cent for servicing, and then lends the money to developers at 3.5 per cent, for a 50 year period, and up to 90 per cent of total development cost.

2) The city also gives tax abatement of up to 40 per cent for a period of 30 years. The Mitchell-Lama Law permits tax abatement of up to 50 per cent of assessed valuation, but the city has held to a maximum of 40 per cent because it has always been sufficient to reduce rents to the desired level.

3) Developers of rental projects are limited to a 6 per cent return on their equity investment.

4) Developers must obtain approval from the Housing and Redevelopment Board which examines all plans to make sure that site selection and construction standards are satisfactory and that monthly rents or charges are within the $20 to $30 per room per month range. The City Planning Commission must also approve proposed developments to insure satisfactory site selection.

Developers' scepticism, at the beginning of the program, towards co-operative developments was dispelled soon after the immediate success of the first few co-operative developments announced. The City's marked preference for co-operative developments stems, in part, from the desire to bring into the program small developers who lack sufficient capital for equity. Their contribution has

been the development of many small sites which are often overlooked by larger development companies interested only in large scale projects.

When compared with F.H.A. Sec. 221 (d) (3) loan program, the Mitchell-Lama program or a similar municipal program locally enacted and supervised provides the following advantages:

1) With a local program the municipality has control over site selection and development standards. It also can direct developers toward specific goals such as development of small vacant sites, co-ordination of new construction with renewal, emphasis on one portion of the city rather than another depending on need, the aesthetics of development, and the like.

2) The F.H.A. program has a current authoriztion of only $12,500,000 to be spread over the entire country. Although it is conceivable that the authoriztion will be increased as the years go by, it will hardly ever fulfill the national need. A local program, on the other hand could conceivably have no limit because the program is self-supporting - as rents are received the outstanding bonds can be redeemed.

3) A municipal loan program will ease the developer's work and encourage a more rapid pace of development. If a

developer wanted to apply for F.H.A. loans plus local tax abatement he would have to submit plans to two agencies and waste much time in dealing with two bureaucracies instead of one.

The following tables demonstrate the rents and carrying charges that are possible under a municipal loan program similar to the Mitchell-Lama program plus tax abatement. Tables 5 and 6 show the effects of a 50 per cent tax abatement formula for rental and co-operative developments; while in Tables 7 and 8 the Fox-Lance tax abatement formula has been used. As will be noted the Fox-Lance formula provides substantially greater tax abatement and hence lower rents and carrying charges.

Table 5

Municipal Loan Program
Rental
50 per cent Tax Abatement
Debt Service - 4.26%

Required Monthly Rent per Rental Room

Municipal Loan Program

At Various Combinations of Total Development Costs

Cost Factors	Total Development Cost per Rental Room			
	$3,300	$3,500	$3,700	$3,900
Equity return	$ 19.80	$ 21.00	monthly rent increases by $0.59 per each $100 of additional total development cost.	
Debt service	126.52	134.19		
Operating cost	120.00	120.00		
Real Estate taxes	82.50	87.50		
Vacancy allowance	7.12	7.40		
Total annual cost	355.94	370.09		
Monthly Rent	29.66	30.84	32.02	33.20

Explanation

Return on developer's equity is assumed to be 6 per cent. Debt service of 4.26 per cent is based on 90 per cent, 50 year, 3.5 per cent level payment mortgage. Amortization is paid annually, and interest semi-annually.

Operating cost is estimated at $120 per rental room per year based on average new rental development.

Taxes are estimated at 10% of an assessed value equal to 50% of total development cost, based on current tax rate and assessment policy in the City of Newark, and allowing for a 50% tax abatement.

Vacancy allowance equals 2% of gross rent.

Table 6

Municipal Loan Program
Co-operative
50 per cent Tax Abatement
Debt Service - 4.26%

Required Monthly Rent per Rental Room

Municipal Loan Program

At Various Combinations of Total Development Costs

Cost Factors	Total Development Cost per Rental Room			
	$3,300	$3,500	$3,700	$3,900
Debt service	$126.52	$134.19		
Operating cost	85.00	85.00	monthly rent increased by $0.53 per each $100 of additional total development cost.	
Real Estate taxes	82.50	87.50		
Vacancy allowance	2.97	3.09		
Total annual cost	296.99	309.78		
Monthly Rent	24.75	25.81	26.87	27.93

Explanation

Debt service of 4.26 per cent is based on 90 per cent, 50 year, 3.5 per cent level payment mortgage. Amortization is paid annually, and interest semi-annually.

The down-payment is assumed to be 10 per cent of total development cost.

Operating cost is estimated at $85 per rental room per year based on average new co-operative development.

Taxes are estimated at 10% of an assessed value equal to 50% of total development cost, based on current tax rate and assessment policy in the City of Newark, and allowing for a 50% tax abatement.

Vacancy allowance equals 1% of gross rent.

Table 7

Municipal Loan Program
Rental
Fox-Lance Tax Abatement
Debt Service - 4.26%

Required Monthly Rent per Rental Room

Municipal Loan Program

At Various Combinations of Total Development Costs

Cost Factors	Total Development Cost per Rental Room			
	$3,300	$3,500	$3,700	$3,900
Equity return	$ 19.80	$ 21.00	monthly rent increases by $0.45 per each $100 of additional total development cost.	
Debt service	126.52	134.19		
Operating cost	120.00	120.00		
In-lieu of taxes	48.13	49.73		
Vacancy allowance	6.39	6.60		
Total annual cost	320.84	331.52		
Monthly Rent	26.74	27.63	28.53	29.42

Explanation

Debt service of 4.26% is based on 90%, 50 year, 3.5% level payment mortgage. Amortization is paid annually and interest semi-annually. Return on developer's equity is assumed to be 6%.

Operating cost is estimated at $120 per rental room per year based on average new rental development.

Payment in-lieu of taxes equals 15% of annual gross rent.

Vacancy allowance equals 2% of gross rent.

Table 8

Municipal Loan Program
Co-operative
Fox-Lance Tax Abatement
Debt Service - 4.26%

Required Monthly Rent per Rental Room

Municipal Loan Program

At Various Combinations of Total Development Cost

Cost Factors	Total Development Cost per Rental Room $3,300	$3,500	$3,700	$3,900
Debt service	$126.52	$134.19	monthly rent increases by $0.38 per each $100 of additional total development cost.	
Operating cost	85.00	85.00		
In-lieu of taxes	37.78	39.15		
Vacancy allowance	2.53	2.62		
Total annual cost	251.83	260.96		
Monthly Rent	20.98	21.75	22.52	23.30

Explanation

Debt service of 4.26% is based on 90%, 50 year, 3.5% level payment mortgage. Amortization is paid annually and interest semi-annually.

The down-payment is assumed to be 10% of total development cost.

Operating cost is estimated at $85 per rental room per year based on average new co-operative development.

Payment in-lieu of taxes equals 15% of annual gross rent.

Vacancy allowance equals 1% of gross rent.

Conclusions

Middle income housing needs in Newark are so great* that it seems imperative for the city to undertake a municipal loan program similar to the Mitchell-Lama program used in New York. The vast amount of renewal already planned for the city can be realized only through the rapid development of a large number of middle income housing units, to rehouse, in addition to public housing, the vast amount of families to be dislocated, to establish a healthy overall vacancy rate, and to bring about the filtering down process** which is so necessary to the success of a large scale renewal program.

By reducing taxes, cost of financing, and equity return to such a low level as illustrated in Tables 7 and 8 great versatility is added to the entire program by reducing the importance of the land cost factor.

---

* Estimates prepared for the Re:New Newark demonstration grant study indicate that renewal, code enforcement, and expressway construction will dislocate approximately 31,000 families in the 1961-1971 decade. Of these, approximately 40 per cent, or 12,810 are families with estimated incomes ranging between $4,000 and $10,000 and constitute approximately 23 per cent of all 1960 middle income families in Newark.

** This process is based on the theory that a sufficient supply of new housing induces a natural turn-over in the total housing inventory because it reduces the desirability of the older stock. New housing will attract families living in older housing but desirous of more modern quarters. The units they will vacate, in turn, will lose their premium character and will become available to those now living in the next lower housing type or in overcrowded units.

For instance, assuming that 60 dwelling units per acre were a desirable density for most of the communities surrounding the Central Business District, and assuming that the average apartment in most middle income developments will be a two-bedroom unit with a total room count of 5 rental rooms, average rental room density would be 300 rooms per acre. In some developments it will prove desirable to provide the lowest possible rentals in which case land costs would have to be approximately $200 per rental room, i.e., $60,000 per acre or $1.38 per square foot. To provide such a low land cost, write-down on land acquisition is necessary. Therefore, the lowest possible rents can be achieved only in Federally aided redevelopment projects.

However, if total development cost per rental room were $3,900, of which $3,100 were construction cost, and $800 were land cost, it would still be possible to reach rents of approximately $30 per room per month in rental developments and $25 in co-operatives. Assuming the same density conditions mentioned above (60 dwelling units per acre, 300 rental rooms per acre) a land cost of $800 per rental room would result in a cost of $240,000 per acre or $5.50 per square foot. This makes possible the development of a large number of middle income units independently of Title I projects because land can be purchased at $5.50 per square foot without need for land write-down. In areas such as Clinton

Hill, Roseville, and the like it is still possible to acquire 30' x 100' lots with houses for up to $15,000. This is equivalent to $5 per square foot of lot area.

The possibility of such variety of development opportunity raises the need for establishing planning criteria to guide the development of new middle income housing construction. It is suggested that, generally, the following criteria should be embodied in the program proposed herein.

1) Initially, the program should aim at increasing the housing inventory of the City by utilizing scattered vacant lots and underutilized land in areas possessing adequate community facilities and other amenities to insure a desirable living environment. The Demonstration Study indicates that scattered throughout Newark's residential communities there are over 300 acres of vacant land. For sure, a good portion of this land is not suitable for new residential construction, either because of surrounding uses and detrimental environment conditions or because of the lack of sufficient schools, recreation facilities, and stability in the neighborhood. However, at least that portion of the scattered vacant land which is located in desirable residential environments could well be utilized for the construction of 50 to 100 unit apartment houses.

In addition to scattered vacant lots, there is throughout the residential portions of the City a certain amount of underutilized land. Many large and archaic one-family houses margional non-residential uses, and used car lots could well be redeveloped privately if the City would assist middle income housing developers in assembling sites through its power of eminent domain.

2) New middle income housing construction should be channelled into deteriorating, but not entirely run-down areas. New construction in such areas is likely to induce private rehabilitation of other structures, increase values, and obviate the necessity for public intervention.

3) Generally, middle income housing should not be permitted on land likely to be utilized by higher uses or fully tax-paying uses.

4) Areas commanding interesting views or vistas should be selected in preference to other sites, whenever possible.

The development of a sound municipal loan program to aid middle income housing construction requires, first of all, a sound investigation of the legal, financial, and administrative tools necessary to the program, and secondly, citizens' understanding and support of the program.

The major legal question is whether the 1949 State enabling act is sufficiently broad to permit the City of

Newark to issue bonds and lend the proceeds to developers of middle income housing, or whether specific authorization for the bond issue must be obtained from the State.

The primary financial consideration needing detailed exploration concerns the marketing of bonds at the lowest possible interest rate. The rate at which bonds will be floated, the amount of the initial issue, and the date of maturity are all factors of great importance to the success of the program.

Perhaps the most complex problem is the establishment of an effective administration of the program. Such questions as which city agency or department will administer the program, what staff, procedures, controls, and policy guidelines should be established. These questions need to be answered before the program can begin. The exploration of these problems however, will be made easier by observing the structure and operation of the seven-year old middle income housing program in New York City.

It is therefore suggested that the legal, financial, and administrative technicalities be further investigated by experts in these fields and that a meeting of influential citizens be called to explain to them the program and to seek their opinions and support.

APPENDIX A

PROPOSED LEGISLATION CURRENTLY BEFORE THE 186th NEW JERSEY STATE LEGISLATURE

As of the date of this report, several bills concerning middle income housing are pending before the current session of the State Legislature.

Assembly Bill No. 368 would create a $100,000,000 State bond issuance debt for construction of middle income housing. The proceeds of the bond issue would then be lent to middle income housing developers on a 90% - 10% basis at a yet unspecified rate of interest. With a 10% equity investment, the fund would finance the construction of approximately 7,000 units throughout the State. Even if approved by the Legislature, this bill must receive the voters' approval at a referendum to be held during the November, 1962 general election.

Assembly Bill No. 373 is a parallel of the legislation described above. The major difference is that, instead of authorizing a State bond issue, it would authorize Public Housing and Development Authorities to issue their own bonds to finance the construction of middle income housing.

Assembly Bill No. 467 is a supplement to the Limited-Dividend Housing Corporation Law of 1949. It would authorize any municipality, in which a limited-dividend housing corporation has received approval for a housing project, to condemn, acquire, and transfer housing sites to limited-dividend housing corporations. The purpose of this bill is to authorize municipalities to make donations of land in order to reduce limited-dividend project costs and rentals.

Senate Bill No. 209 is in effect, the Senate's version of Assembly Bill No. 467 described above. The Bill authorizes municipalities to subsidize the land acquisition cost of any limited-dividend housing project.

This Study and Report was prepared by

Aldo Giacchino, Principal Planner

Graphics by Hinman L. P. Kealy

Newark, [illegible] City Plan[illegible]
[illegible] Sheet 3/31, 6[illegible]
Illustration [illegible] Plans of Urban Renewal [illegible]
Jan 6 [illegible]